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SENSITIVE
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E.O. 12958: N/A
TAGS: ECON ETRD WTRO
SUBJECT: DEMARCHE REQUEST ON DOHA NON-AGRICULTURAL MARKET ACCESS TARIFF NEGOTIATIONS

SENSITIVE BUT UNCLASSIFIED, PLEASE PROTECT ACCORDINGLY

¶1. (U) This is an action request. Please see paragraph 7.

¶2. (U) Summary and action request: Negotiations on potential modalities for global reductions of tariffs on industrial goods (known as Non-Agricultural Market Access or NAMA) as part of the Doha Round in the World Trade Organization (WTO) resumed in Geneva on September 17, with informal meetings taking place the week of September 10. Posts are requested to demarche host country trade ministries at the highest appropriate level to convey U.S. views on the specific commitments host countries are being asked to undertake and to encourage them to pursue an ambitious result for the Round. End summary and action request.

¶3. (U) Background: After the G4 (the United States, European Union, Brazil and India) did not reach agreement on the basic outlines of a Doha package in June 2007, Doha negotiations returned back to a WTO Members-led process in Geneva. In mid-July, the chairmen of the agriculture and NAMA negotiating groups issued draft texts detailing their proposals for a potential framework for modalities. (The NAMA text is available at www.wto.org, under recent documents, JOB(07)/126.) In subsequent meetings on the NAMA Chair's text in late July, most WTO Members supported the text as a starting point from which to build further when negotiations resume in September, but several Members (Argentina, Bolivia, South Africa and Venezuela) came close to rejecting the text, mainly because of the requirements that it would impose on developing countries.

¶4. (SBU) In the NAMA negotiations, Chile, Colombia, Costa Rica, Mexico, and Peru are among the 30 or so developing countries globally that will apply the tariff cutting "Swiss" formula through the use of a developing country coefficient. (Note: Under the Swiss formula, the "coefficient" becomes the highest bound tariff. For example, under a "Swiss 19," no bound tariff after full implementation of tariff reduction commitments would be higher than 19 percent. End note.) Developing countries applying the formula in the Americas are split between two informal groupings: Members of the so-called "NAMA 11" and Members associated with the "Middle Ground." Argentina, Brazil and Venezuela are members of the NAMA 11 and have proposed a developing country tariff-cutting formula coefficient of 30-35. Coefficients in this range would provide no new, meaningful market access in terms of cuts to actual, applied tariffs for the United States or other trading partners of those countries. The "Middle Ground" developing countries (including in the region Mexico, Costa Rica, Chile, Colombia and Peru) put forward a position quite distinct from the NAMA 11 position shortly after the

Potsdam G4 breakdown. The Middle Ground countries suggested a developing country coefficient "between the upper teens and the low twenties." We are aware that the Latin Middle Ground countries - Chile, in particular - have faced significant pressure from Brazil to change their position.

¶5. (SBU) Meaningful tariff reductions on industrial goods in the advanced developing country markets would be one of the major deliverables of the Doha Development Round for U.S. exporters. The United States is seeking the lowest possible developing country coefficient, preferably in the upper teens.

¶6. (U) Several of the Middle Ground developing countries worked with the United States at APEC in early July to develop a stand-alone Ministerial statement underscoring that Doha "must deliver meaningful new market access opportunities to significantly expand trade," and noting "expectations that (then) forthcoming draft texts set a high standard for ambition." Most recently, on September 9, the United States issued with the same countries at the APEC Leaders Summit in Australia a stand-alone statement on the Doha negotiations. In this statement, APEC members "insist that consensus (on Doha) will only be possible on the basis of an ambitious, balanced result that delivers real and substantial market access improvements for agricultural and industrial goods and for services and real and substantial reductions in trade-distorting agricultural subsidies. This would deliver new trade flows for the benefit of all, including developing economies." The APEC countries agreed to resume discussions using the Agriculture and NAMA Chairs' texts as a basis.

7: (U) Action Request: Post is requested to meet at the highest practical level in trade ministries to convey the talking points below. Insights into the current views of capital-based representatives on the Chair's proposal, including specific problems that it may present, and views on the overall negotiations are sought. Posts are advised that it is acceptable unless otherwise indicated to leave the points below with host country as a non-paper. If Posts have questions about this demarche, please contact USTR Director of Tariff Affairs Cara Morrow via email at: cmorrow@ustr.eop.gov.

Begin talking points:

-- The United States remains committed to a successful Doha outcome. September will be a critical time - negotiations have started in Geneva over the draft texts issued by negotiating group chairs in mid-July on agriculture and industrial goods.

-- We appreciate your stance in the Non-Agricultural Market Access (NAMA) negotiations as part of the "Middle Ground" group. It is important for the Middle Ground countries to continue to demonstrate leadership and to be vocal in negotiations in Geneva this month.

-- The NAMA Chair has proposed a range of coefficients under the Swiss formula from (19 to 23). This treatment would apply to all South American countries except Bolivia, Ecuador, Paraguay and Uruguay - who are designated as small, vulnerable economies - as well as to Mexico and Costa Rica.

-- We urge you to continue to push for ambition and for a developing country coefficient of no higher than the lowest end of the Chair's range for developing countries (a Swiss 19).

(For Chile)
-- This means an extremely modest contribution from Chile:

-- Under a Swiss 19 with developing country flexibility taken into account, Chile would be required to reduce its current average bound tariff rate from 25 percent to 11.5 percent.

-- However, under a Swiss 19, Chile's average applied tariff rate would remain the same as it is at present: 6 percent. Its highest tariff (assuming use of flexibility allowed in

the Chair's text) would also remain 6%. Only two of Chile's dutiable, applied 8-digit tariff lines would be cut.

-- These tariff lines are: H/S 26210010 (slag/ash including seaweed ash "kelp") and H/S 89019010 (vessels for the transport of goods and/or persons). These lines would be cut by 100 and 15 percent, respectively, under a Swiss 19.

-- By contrast, a coefficient of (8-9) has been proposed for developed countries, with no access to flexibilities.

-- This would require the United States to reduce 100 percent of its remaining dutiable, applied tariffs by more than 35 percent on average. Our average bound and applied tariff would be reduced to approximately 2 percent. Our highest tariff would be less than 8 percent. 40 percent of U.S. non-agricultural tariffs are already bound at zero.

-- (Note to Post: The following point should only be delivered orally and should not be included in any non-paper): The United States recognizes the significant pressure placed on Chile from Brazil to change its position in NAMA. We appreciate your willingness to continue to push for an ambitious NAMA result.

(For Colombia)
-- This means a measured contribution from Colombia:

-- Under a Swiss 19 with developing country flexibility taken into account, Colombia would be required to reduce its current average bound tariff rate from 35.4 percent to 13.6 percent.

-- Under a Swiss 19, Colombia's average applied tariff rate would fall from 11.3 percent to 9.9 percent. Its highest applied tariff (assuming use of flexibility allowed in the Chair's text) would be 26.4 percent. Colombia's average reduction in its dutiable, applied tariff rates would be 8 percent, but it would not reduce 66 percent of its dutiable, applied tariff lines below currently applied levels. Thus, the average reduction in those dutiable lines that Colombia actually cut below applied rates would be 24 percent.

-- By contrast, a coefficient of (8-9) has been proposed for developed countries, with no access to flexibilities.

-- This would require the United States to reduce 100 percent of its remaining dutiable, applied tariffs by more than 35 percent on average. Our average bound and applied tariff would be reduced to approximately 2 percent. Our highest tariff would be less than 8 percent. 40 percent of U.S. non-agricultural tariffs are already bound at zero.

(For Costa Rica)
-- This means a modest contribution for Costa Rica:

-- Under a Swiss 19 with developing country flexibility taken into account, Costa Rica would be required to reduce its current average bound tariff rate from 43.4 percent to 14.4 percent.

-- Under a Swiss 19, Costa Rica's average applied tariff rate would fall from 4.7 percent to only 4.6 percent. Its highest tariff (assuming use of flexibility allowed in the Chair's text) would be 14 percent. Costa Rica's average reduction in its dutiable, applied tariff rates would be very shallow at 1 percent, and it would not reduce 90 percent of its dutiable, applied tariff lines below currently applied levels. Thus, the average reduction in those dutiable lines that Costa Rica actually cuts below applied rates would be 14 percent.

-- By contrast, a coefficient of (8-9) has been proposed for developed countries, with no access to flexibilities.

-- This would require the United States to reduce 100 percent of its remaining dutiable, applied tariffs by more than 35 percent on average. Our average bound and applied tariff would be reduced to approximately 2 percent. Our highest

tariff would be less than 8 percent. 40 percent of U.S. non-agricultural tariffs are already bound at zero.

(For Mexico)
-- This means a relatively modest contribution for Mexico:

-- Under a Swiss 19 with developing country flexibility taken into account, Mexico would be required to reduce its current average bound tariff rate from 35 percent to 13.4 percent.

-- Under a Swiss 19, Mexico's average applied tariff rate would fall from 12.2 percent to 10 percent. Its highest tariff (assuming use of flexibility allowed in the Chair's text) would be 31.9 percent. Mexico's average reduction in its dutiable, applied tariff rates would be 12 percent, but it would not reduce 51 percent of its dutiable, applied tariff lines below currently applied levels. Thus, the average reduction in those dutiable lines that Mexico actually cuts below applied rates would be 24 percent.

-- By contrast, a coefficient of (8-9) has been proposed for developed countries, with no access to flexibilities.

-- This would require the United States to reduce 100 percent of its remaining dutiable, applied tariffs by more than 35 percent on average. Our average bound and applied tariff would be reduced to approximately 2 percent. Our highest tariff would be less than 8 percent. 40 percent of U.S. non-agricultural tariffs are already bound at zero.

(For Peru)
-- This means a relatively modest contribution for Peru:

-- Under a Swiss 19 with developing country flexibility taken into account, Peru would be required to reduce its current average bound tariff rate from 30 percent to 12.5 percent.

-- Under a Swiss 19, Peru's average applied tariff rate would fall from 9.2 percent to 8.9 percent. Its highest tariff (assuming use of flexibility allowed in the Chair's text) would be 20 percent. Peru's average reduction in its dutiable, applied tariff rates would be only 2 percent, and it would not reduce 64 percent of its dutiable, applied tariff lines below currently applied levels. Thus, the average reduction in those dutiable lines that Peru actually cuts below applied rates would be only 5 percent.

-- By contrast, a coefficient of (8-9) has been proposed for developed countries, with no access to flexibilities.

-- This would require the United States to reduce 100 percent of its remaining dutiable, applied tariffs by more than 35 percent on average. Our average bound and applied tariff would be reduced to approximately 2 percent. Our highest tariff would be less than 8 percent. 40 percent of U.S. non-agricultural tariffs are already bound at zero.

End talking points.

¶8. (U) Please slug responses for USTR Washington (CMorrow), Geneva (LMolnar), USDOC (JJanicke and EDunn), State (AScheibe), and Treasury (WSchall). Post's efforts are appreciated.
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